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Draft policy statement on  
ownership and control

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**POLICY STATEMENT**

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**OWNERSHIP AND CONTROL**



**OWNERSHIP**



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DRAFT POLICY STATEMENT  
ON  
OWNERSHIP AND CONTROL

In 1968, the Parliament of Canada enacted the Broadcasting Act. In Section 3 of the Act, Parliament enunciated what it described as the Broadcasting Policy for Canada. In this section, it is declared that the broadcasting undertakings in Canada make use of radio frequencies that are public property and that such undertakings constitute a single system, called the Canadian broadcasting system, comprising public and private elements.

It is also declared in Section 3 that the Canadian broadcasting system should be effectively owned and controlled by Canadians so as to safeguard, enrich and strengthen the cultural, political, social and economic fabric of Canada and that the programming provided by the Canadian broadcasting system should be varied and comprehensive, should provide reasonable, balanced opportunity for the expression of differing views on matters of public concern and should be of high standard, using predominantly Canadian creative and other resources.

In the same Act, Parliament established the Canadian Radio-Television Commission for the purpose of regulating and supervising all aspects of the Canadian broadcasting system with a view to implementing the broadcasting policy enunciated by it.

In order to enable the Commission to implement the policy objectives of the Act, particularly those referred to above, the Commission has necessarily had, from its inception, to concern itself with questions as to the extent to which individuals and corporations should be permitted to own, control or otherwise participate in the broadcasting undertakings licenced by it.

From a practical standpoint, there is simply no way the policy objectives of the Act relating to diversity and comprehensiveness can be attained without facing and resolving such questions. As long as these objectives continue to be considered worthwhile, such questions will continue to be of fundamental importance.

A central problem is to assure diversity of ownership, particularly in main production centres, and at the same time to permit a reasonable growth and development of financially strong broadcasting groups.



The decisions made by the Commission over the years since 1968 have established a body of precedents. Two factors can be said to have influenced these precedents most significantly: first, the rearrangement of ownership and control required as a result of the direction to the Commission on foreign ownership (PC 1969-2229); second, the rapid transition which the broadcasting industry is undergoing from dominance by personal, family and other closely-held corporations, to dominance by public corporations whose shares are widely-held and publicly traded.

In light of this and the fact that the large number of decisions involved makes analysis a rather laborious task, the Commission has been under increasing pressure to issue a statement of its policy on ownership and control. Accordingly, the Commission issues this policy statement which is, in the main, a consolidation of its thinking on the various questions associated with ownership and control, as expressed in its past decisions.

This statement may be treated by interested parties as a guide to the course of action the Commission will follow in dealing with future situations. Where it considers it appropriate, the Commission will impose conditions on licences issued or renewed by it, setting out specific requirements as to the ownership or control of the licensee and the broadcasting undertaking carried on by it.

Changes in control of licensees and of the broadcasting undertakings carried on by them made in all cases, as required by the conditions of licence issued by the Commission, receive the prior permission of the Commission. Reporting requirements for the administration of these conditions are under consideration.

### CENTRAL QUESTIONS

Any policy on ownership and control must concern itself with two basic questions. First, who should be permitted to participate in the ownership of a broadcasting undertaking and to what extent? Second, how many broadcasting undertakings should any person be permitted to control?



OWNERSHIP AND CONTROL

In developing its position on this matter, the Commission has been guided by the objectives stated in the Broadcasting Act, and has concluded that four principles must form the basis for its policy, given the Canadian circumstance.

(1) Persons to whom broadcasting licences are issued, and persons who are in a position to significantly contribute to the manner in which the broadcasting undertaking fulfills its obligations to the community which it serves, should be expected to regard broadcasting as their primary interest.

(The use of the term "persons" is intended to encompass individuals, corporations and non-profit entities such as cooperatives, social clubs and community associations.)

(2) At some point the concentration of ownership and control of the media infringes upon the public interest, which requires a balanced opportunity for the expression of differing views on matters of public concern. Accordingly, the Commission wishes to encourage participation by persons not now engaged in broadcasting.

(3) The extension and strengthening of a broadcasting system which is truly Canadian requires the investment of funds from a diversity of sources, and participation of this form should be encouraged in appropriate circumstances.

(4) Broadcasting undertakings make use of radio frequencies that are public property, and the ownership of such undertakings should be public knowledge.

The Commission will give strong preference to those proposals which have the most merit in terms of these principles.

In order to achieve the objectives which these principles suggest the Commission proposes to limit participation by certain persons in accordance with the following categories.

(The term "Corporation" refers to a corporation that owns or controls a broadcasting undertaking.)

CATEGORY I

(a) Persons carrying on a business other than broadcasting, provided that, in the opinion of the Commission, the nature and extent of such other business is not such as to influence the news, public affairs and general program policies of the broadcasting undertaking.

(b) Pension or Mutual Funds.



Trust or Insurance Companies.

d) Deposit-taking Institutions.

Subject to the Special Provision set out following Category II, any such person may hold up to twenty (20) per cent of the shares of a Corporation having full voting rights under all conditions and shares of the Corporation representing in the aggregate twenty (20) per cent of its paid-up capital, provided that any such person holding more than ten (10) per cent of the shares of a Corporation may not hold more than ten (10) per cent of any other corporation.

CATEGORY II

Banking Institutions Except Chartered Banks.

Also subject to the Special Provision, any such person may hold ten (10) per cent of the shares of a Corporation having full voting rights under all conditions and shares of the Corporation representing in the aggregate ten (10) per cent of its paid-up capital, provided that such shares are acquired in conjunction with the making of a loan with a fixed term of five years or more, where the amount of the loan is at least equal in value to the consideration paid for the shares.

SPECIAL PROVISION

If, collectively, the holdings in a Corporation of financial institutions referred to in Category I, (b), (c) and (d) and Category II exceed thirty (30) per cent in terms of voting shares or paid-up capital, the Commission may require such institutions to file management disclaimers.

COMMENTS:

The foregoing limitations have been set with the following points in mind:

- The capital market is supplied to a large extent by groups such as those covered above, and the Commission acknowledges that they represent a much needed source of funds. At the same time, those covered by Category I are primarily oriented toward investment in a diversity of ventures rather than in taking an active management role in any one. An investment amounting to twenty (20) per cent of the shares of a Corporation is considered to be in line with the basic interests of such groups and at the same



time generally does not represent a controlling interest. The further limitation of ten (10) per cent in any other broadcasting undertaking is intended to discourage insiders in one broadcasting corporation from becoming insiders in others and in so doing to exercise influence on an industry-wide basis.

- The Commission wishes also to discourage entities whose primary function is lending from becoming insiders and playing a significant role in the management of broadcasting undertakings.
- At the same time, it is recognized that lending institutions may be prepared to offer more favourable terms if given an opportunity to participate on an equity basis and for this reason the Commission sets a limit of ten (10) per cent.
- The collective limit of thirty (30) per cent for financial institutions is in line with the previously stated view that control of broadcasting undertakings should rest with broadcasters..

### CATEGORY III

The Commission considers that certain persons should generally be excluded from any significant involvement in broadcasting. At the same time, it is recognized that annual reports and other such information supplied to shareholders of a corporation may be of interest to such persons, and for that reason the Commission is prepared to permit nominal investments on their part.

The persons described below may, therefore, hold one (1) per cent of my class of shares of a Corporation.

#### (a) Nominees:

Persons who hold shares in their own name for the benefit of persons whose names are not disclosed; and corporations whose ownership in terms of "natural persons" is not revealed to the Commission. (i.e. "NOMINEES")

- The Broadcasting Act states that broadcasting undertakings make use of radio frequencies that are public property. The Commission feels that ownership of these frequencies should be public knowledge. This clause is, therefore, intended not to preclude persons from investing, but rather to encourage them to make their interests known.



(b) Daily Newspapers:

Persons carrying on the business of publishing a chain of daily newspapers or of publishing a daily newspaper serving the same centre as the broadcasting undertaking.

COMMENT:

- The Commission shares the widespread public concern that ownership of the mass media should not be unduly concentrated.

(c) Chartered Banks:

COMMENT:

- Canadian banks are powerful financial institutions. Under the Bank Act they enjoy certain privileges which other financial institutions do not — principally the power to create credit. Needless to say, banks are often in a position to exercise a significant degree of influence even when they hold no equity interest in a corporation. The Commission has previously rejected share participation by banks.

(d) Lending Institutions:

Lending institutions which have not acquired shares are permitted in Category II.

(e) Other Business:

Persons carrying on a business other than broadcasting of which, in the opinion of the Commission, the nature and extent are such as to influence the news, public affairs and general program policies of the broadcasting undertaking.

CATEGORY IV

Without the prior permission of the Commission any person who owns or controls a broadcasting undertaking may not hold more than one (1) per cent of the shares of any other such Corporation.

COMMENT:

- Persons who own or control broadcasting undertakings are, per se, persons whose participation in broadcasting has been approved by the Commission or its predecessors.



- The Commission recognizes that such persons may wish to acquire shares in other Corporations for the purpose set out in the preamble to Category III.
- The Commission wishes, however, to be certain that such shareholdings acquired without its prior permission are purely nominal.



How many broadcasting undertakings should any person be permitted to control?

The Commission must be ever mindful of the potential problems posed by undue concentration of control. The concentration of ownership of Canadian daily newspapers serves as an example of the situation which could arise in the broadcasting industry without adequate regulatory supervision.

Central to the Commissions' policy on concentration of control are, of course, the objectives under the Act that programming should be both diversified and of high quality.

The Commission recognizes that these objectives are not always fully compatible. There is need for balance in the Canadian Broadcasting System between large, well financed undertakings able to acquire the funds often necessary to provide expensive, high-quality programs of national interest, and small, diversified undertakings able to meet certain regional or local needs within individual communities.

To achieve this balance, it is necessary to take into account the common interests of people who reside in the traditionally recognized geographic regions of Canada, and the importance of certain population centres in the production of programs of national, regional or local significance.

The Commission recognizes, for example, that certain metropolitan centres are and will continue to be the main national centres of production. Other centres are of special significance for regional programming and still others for what can be called, for lack of a better word, local programming.

The central aim of the guidelines on concentration of control therefore is to assure diversity of ownership in the main national, regional or local production centres, while permitting reasonable growth and development of substantial, well-financed broadcasting groups.



These guidelines are based on the following definitions of "region" and "centres".

**GEOGRAPHICAL REGIONS:**

Atlantic Region	- The Provinces of New Brunswick, Nova Scotia, Prince Edward Island, and Newfoundland.
Québec Region	- The Province of Québec.
Ontario Region	- The Province of Ontario.
Prairie Region	- The Provinces of Manitoba, Saskatchewan and Alberta, and the Northwest Territories.
Pacific Region	- The Province of British Columbia and the Yukon Territory.

**POPULATION CENTRES:**

Grade I Centres

- Montreal
- Toronto

Grade II Centres

- Calgary
- Edmonton
- Hamilton
- Ottawa/Hull
- Québec
- Vancouver
- Winnipeg

Grade III Centres

- Chicoutimi/Jonquière
- Halifax
- Kitchener
- London
- Oshawa
- Regina
- St. Catharines
- Saint John, N.B.
- St. John's, Nfld.
- Saskatoon
- Sudbury
- Sydney/Glace Bay
- Thunder Bay
- Victoria
- Windsor



CONCENTRATION OF CONTROL

The following guidelines are intended to achieve the objective set out above. While these guidelines may be treated as an indication of the course of action the Commission might adopt, the Commission reserves the right to judge each case on its own merits:

Radio Broadcasting Undertakings

- The Commission will regard the common ownership of AM and FM undertakings serving the same market as a privilege to be granted only where the program formats are distinct and separate in nature and in compliance with Commission policies as expressed from time to time.
- For convenience of reference AM and FM are each referred to as a "class".

1. A person may not own or control more than one radio broadcasting undertaking of each class serving the Grade I centres.
2. A person who owns or controls a radio broadcasting undertaking serving a Grade I centre may not own or control a radio broadcasting undertaking of the same class serving a Grade II Centre in the same region.
3. A person may own or control a maximum of two (2) radio broadcasting undertakings of each class serving the Grade II Centres in any region.
4. A person may own or control a maximum of five (5) radio broadcasting undertakings of the same class in any region provided that the Commission is satisfied that there is no undue concentration of control.
5. The Commission will not at this time, set a limit on the total number of radio broadcasting undertakings that may be under the same ownership or control, but in permitting the holding of licenses in more than one region the Commission will be concerned that such common ownership across regional boundaries shall not involve excessive concentration of ownership and control, and shall result in significant benefit to the Canadian broadcasting system.



Television Broadcasting Undertakings

1. A person may not own or control a total of more than four (4) television broadcasting undertakings.
2. A person who owns or controls a television broadcasting undertaking serving any Grade I or II Centre may not own or control another television broadcasting undertaking serving the Grade I or II Centres.

3. Network Affiliation:

- i) A person who owns or controls a television broadcasting undertaking serving any Grade I or II Centre may own or control one other television broadcasting undertaking serving any Grade III Centre, that is a participant in or an affiliate of the same network.
- ii) A person may own or control up to three (3) television broadcasting undertakings serving the Grade III Centres that are participants in or affiliates of the same network.
- iii) Consideration will be given to permitting affiliation with both national television services where either complete service on two channels or partial service from each network on one channel is proposed.





